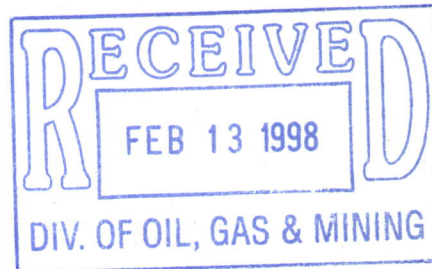




72/049/009
Environmental Management Services Company
2301 Research Boulevard, Suite 103
Fort Collins, CO 80526
(970) 482-3100 • Fax: (970) 482-9619

February 12, 1998

State of Utah
Division of Oil, Gas and Mining
Minerals Reclamation Program
1594 West North Temple
Suite 1210
Salt Lake City, UT 84114-5310
Attn: Tony Gallegos/Lynn Kunzler



Dear Tony and Lynn;

This letter is written in response to our meeting in December and Lynn's letter of January 23, 1998. First, the current application requests that the pre-existing settling ponds (not tailings ponds) be left in place as stormwater runoff control devices. Enclosed please find correspondence between Sunshine and the Water Quality Division regarding this matter. I have also enclosed an EarthFax technical report dated June 11, 1992 regarding the suitability of the settling ponds for stormwater management. Unfortunately the map copies enclosed are of poor quality but these are all I have in Fort Collins. Regarding the tailings ponds, Sunshine proposed one location in their 1984 permit. These ponds were never constructed or operated. Tintic Utah Metals LLC is proposing a different location for the tailings disposal ponds which is fully described in the 1997 application.

I have prepared three tables to assist our understanding of the 1984 permit (referred to herein as SMC 1984) and Tintic Utah Metals LLC transfer application (referred to herein as LLC 1997). Table 1 compares the SMC 1984 and the LLC 1997 applications by area regarding Permit acres; Disturbed acres; and Bonded acres. Total permit acres compare relatively closely but the individual areas do not. The major changes are attributed to deletion of the settling ponds from the permit acres and an increase in size for the Apex and Zuma areas. The latter two permit areas were increased to correspond with topography and natural features. Total and site disturbed acres compare favorably as do bonded acres with the differences most likely being attributable to the more accurate area calculations possible with CAD systems.

Listed on Table 2 is calculation of the SMC 1984 bond by area. Listed are the bond calculations, the addition of a 10% contingency and the effect of projecting the reclamation costs forward to 1995 by using the 6.78% annual inflation factor then current. Running the numbers results in the 1984 reclamation estimate of \$358,170 inflating to \$737,000. Also listed on the table is the calculated 1995 estimate using actual Means numbers for the 1985 through 1995 period. The numbers provided by Tony include: 1985-2.90%; 1986-2.10%; 1987-1.95%; 1988-1.81%; 1989- 1.77%; 1990-0.77%; 1991-1.27%; 1992-2.21%; 1993-2.61%; 1994-3.21%; and 1995-1.93%. The

calculation by area results in a 1995 reclamation estimate of \$453,873. The difference between the two 1995 numbers, \$283,133, is the result of lesser inflation.

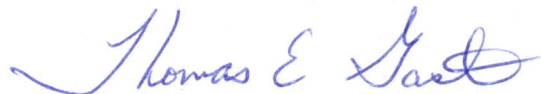
Table 3 provides a comparison of the SMC 1984 estimate adjusted to 1997 dollars and the LLC 1997 estimate. The calculated 1995 numbers from Table 2 (\$453,873) were indexed to 1997 (\$487,967) by utilizing the Means numbers for 1996-2.42% and 1997-2.52%. The 1997 SMC indexed amounts totaling \$487,967 were then compared to the 1997 LLC reclamation estimate totaling \$337,315. To equalize the two estimates, the Trixie total of \$54,622 and the settling pond estimate of \$45,006 was subtracted from the indexed 1984 SMC numbers. The reason for removing the settling ponds is discussed above and the Trixie was removed because this site was transferred from the permit in 1995 to South Standard Mining upon their posting a cash bond. This results in the indexed 1984 estimate being reduced to \$388,339. The major difference between the two estimates is that Sunshine provided for installation of a new headframe at the Hunter shaft site and the 1984 estimate includes headframe and hoist removal from both the Burgin No. 2 and the Hunter shafts. The 1997 LLC estimate is based on moving the Burgin No. 2 headframe to the Burgin No. 3 shaft which results in only one headframe and hoist removal instead of two.

Regarding the Trixie matter, it should be noted that the existing bond was reduced by \$39,800 in March 1996 subsequent to South Standard posting a cash bond. In fact, a total of \$84,473 should have been released. The \$84,473 represents the 1984 reclamation estimate of \$41,052 projected to 1995 dollars (see Table 2).

As you may be aware, Division of Water Quality has delayed processing of Tintic Utah Metals LLC's Underground Injection Control Class IV well application. This delay has resulted in postponing construction of the Burgin No. 3 shaft and the project's water disposal system for an indefinite period. Consequently, it seems that incremental bonding of the project be considered whereby the reclamation plans for these project components be included in the permit transfer but no physical disturbance be allowed until satisfactory bond is provided.

Please feel free to contact me with any questions or in the event that we may provide additional information.

Sincerely,



Thomas E. Gast
Principal

Encl.

Cc: Paul Spor
Leonard Weitz

Table 2 - Burgin Bond Comparison, Existing Bond
Prepared February 10, 1998
Environmental Management Services Company

Sunshine Mining Company 1984 Estimate

AREA	SMC \$ 1984	10% Cont.	Total 1984	1995 \$	Means 95 \$	Difference
Factor	100%	10%	Sum	2.0577	1.2672	-0.7905
Apex	\$41,440	\$4,144	\$45,584	\$93,798	\$57,764	(\$36,034)
Trixie	\$37,320	\$3,732	\$41,052	\$84,473	\$52,021	(\$32,452)
Hunter/Bur. # 3	\$48,100	\$4,810	\$52,910	\$108,873	\$67,048	(\$41,825)
Burgin #1, #2 & Mill:						
Burgin #1						\$0
Burgin #2						\$0
Burgin Complex Tot.	\$129,600	\$12,960	\$142,560	\$293,346	\$180,652	(\$112,694)
Tailings	\$39,310	\$3,931	\$43,241	\$88,977	\$54,795	(\$34,182)
Settling Pond	\$30,750	\$3,075	\$33,825	\$69,602	\$42,863	(\$26,739)
Water Disposal	\$0	\$0	\$0			\$0
Zuma	\$0	\$0	\$0			\$0
Sub-Total	\$326,520	\$32,652	\$359,172	\$739,068	\$455,143	(\$283,925)
Adjustment	\$0	\$0	(\$1,002)	(\$2,062)	(\$1,270)	\$792
Net	\$326,520	\$32,652	\$358,170	\$737,006	\$453,873	(\$283,133)

Table 3 - Burgin Bond Comparison, Proposed Bond
Prepared February 10, 1998
Environmental Management Services Company

	SMC	SMC	LLC	
AREA	Means 95 \$	Means 97 \$	97 Est. \$	Diff.
Factor	1.2672	1.05	100%	
Apex	\$57,764	\$60,652	\$51,952	(\$8,700)
Trixie	\$52,021	\$54,622	\$0	(\$54,622)
Hunter/Bur. # 3	\$67,048	\$70,400	\$62,430	(\$7,970)
Burgin #1, #2 & Mill:				
Burgin #1			\$66,705	
Burgin #2			\$60,763	
Burgin Complex Tot.	\$180,652	\$189,685	\$127,468	(\$62,217)
Tailings	\$54,795	\$57,535	\$63,290	\$5,755
Settling Pond	\$42,863	\$45,006	\$0	(\$45,006)
Water Disposal		\$0	\$23,130	\$23,130
Zuma		\$11,400	\$9,045	(\$2,355)
Sub-Total	\$455,143	\$489,300	\$337,315	(\$151,985)
Adjustment	(\$1,270)	(\$1,333)	\$0	\$1,333
Net	\$453,873	\$487,967	\$337,315	(\$150,652)
less:				
Trixie		\$54,622	\$0	
Settling Pond		\$45,006	\$0	
Net/Net		\$388,339	\$337,315	(\$51,024)

Table 1 - Burgin Bond Comparison, Existing Bond
Prepared February 10, 1998
Environmental Management Services Company

AREA	Permit Acres		Disturbed Acres		Bonded Acres	
	SMC 1984	LLC 1997	SMC 1984	LLC 1997	SMC 1984	LLC 1997
Apex	2.8	32.0	2.0	3.2	2.8	3.45
Trixie	11.4	0.0	Permit Transfer Complete			
Hunter/Burgin # 3	10.0	15.6	0.0	0.0	5.7	4.0
Burgin #1, #2 & Mill:						
Burgin #1		29.1		13.7		13.7
Burgin #2		43.2		20.8		20.8
Ponds 2-4	2.2	0.0	2.2	2.2	0.0	2.2
Burgin 1 & 2, Mill	57.9	72.3	29.4	36.7	29.4	36.7
Burgin Complex Tot.	60.1	72.3	31.6	36.7	29.4	36.7
Tailings	41.4	58.7	0.0	0.0	28.7	37.4
Settling Pond	180.0	0.0	26.0	26.0	26.0	0.0
Water Disposal	0.0	6.0	0.0	0.0	0.0	6.0
Zuma	7.0	75.0	7.0	7.0	7.0	12.0
Total Acres	312.7	331.8	66.6	72.8	99.6	99.5